MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BSM3114– MANAGEMENT OF STRATEGY

(ALL SECTIONS)

25th OCTOBER 2018
2.30 PM – 4.30 PM
(2 HOURS)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages.
2. There are **ONE (1) Case Study**. Attempt **ALL** questions.
3. Please write all your answers in **Answer Booklet** provided.

CASE STUDY 1: 100 MARKS

Google History

FRANK T. ROTHAERMEL
CHRISTOPHER K. ZAHRT
DAVID R. KING

Google founders Larry Page and Sergey Brin met in 1995 during a tour for students accepted into the PhD program at Stanford University. "We both found each other obnoxious," recalls Brin only half-jokingly, "but we spent a lot of time talking to each there, so there was something there." Despite this rocky start, the pair quickly became inseparable friends.The first test of the PageRank system occurred in March of 1996. It became apparent to Page that his system would make an excellent search engine. Page and Brin, assisted by several classmates, began refining this search engine. In September of 1997, they decided to name their engine "Google," which was a misspelling of the mathematical term googol: 1 followed by 100 zeros. On September 4, 1998, Google filed for incorporation and moved its rapidly growing collection of servers into a garage in nearby Menlo Park, CA. The web was exploding. By 1999, 100 million web searches occurred every day, and Google needed capital to continue purchasing servers and hiring computer scientists. On June 7, 1999, Google announced that legendary Silicon Valley venture capital firms Kleiner Perkins Caufield & Byers (KPCB) and Sequoia Capital made a joint equity investment

Google is now far from a startup. In the last five years it has more than doubled its number of employees from roughly 24,000 in 2010 to more than 53,000 in 2014. The growth was helped by a combination of acquisitions and internal development. Google is famous for bottom-up innovation, such as enabling employees to spend 20 percent of their time working on new ideas that represent roughly 50 percent of Google's new products. However, analysts are increasingly questioning heavy Research & Development (R&D) investments, which soared in 2014 by 38 percent close to $10 billion with what they see as offering diminishing returns.

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The Google Glass project, an integrated camera and computer display that was to be worn like a pair of glasses, was abandoned in 2015, 13 years after Page began tinkering with it. The duration of this venture led Google to set a two-year limit on development in order to force earlier decisions on projects. While pressure on more disciplined new product development increased, Google needed to identify new sources of revenue, which in 2014, was almost entirely dependent on search. At this time, 90 percent of Google's $66 billion in revenue came from search advertising.

On the external front, Google's success in search drew increasing scrutiny from regulator, bringing it into contact with new competitors. U.S. regulators at the Federal Trade Commission (FTC) concluded in 2012 that Google used anticompetitive tactics and abused its monopoly power. After the FTC ended its investigation in 2013 and requested records following Google's voluntary concessions, the FTC released its findings in a 160-page report in 2015. Subsequent to the news of the FTC report, the European Union (EU) antitrust regulators filed charges against Google, claiming Google used its 90 percent share of Europe's search to promote its own services. While the ultimate outcome could take years to resolve, the EU could, in the meantime, impose sanctions on Google to stop behaviour they deem as anticompetitive. As Google faces government regulation, it also faces increased competition from technology companies such as Apple, Amazon, Facebook, and Microsoft, as well as from firms in more established industries such as automotive, cable, telecommunications, and more. This rise in competition is a direct result of an increased convergence in technology and the ability of individuals to use technology to access information.

Yahoo stated "Our web directory and navigational guide is critical to the essential set of services that we provide." Despite this acknowledgement from Mallet, Google was allowed to insert a message below the search box stating that Google was providing the search results.

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This agreement introduced Google to Yahoo's 180 million worldwide users who generated 900M average daily page views. More importantly, this vast increase in traffic allowed Google to fine tune its search engine. By performing statistical analysis on logs of hundreds of millions of user interactions, Google's engineers were able to make its search engine understand contextual clues in search queries. Simply put, the more users searched, the better search results became.

After more than two years, the search for the right Google CEO came to an end when Eric Schmidt accepted the position in August of 2001. Schmidt held a PhD in computer science from the UC-Berkeley. He also had deep technology management experience, having served as an executive at both Sun Microsystems and Novell. "Most importantly for an one taking on the CEO role at Google," observed Page, "Eric is a natural fit with our corporate culture.At the end of the 2001 fiscal year on December 31, another milestone was reached. Google had its first profitable year, reporting net income of $6.985 million. It would never again have a net loss. With a lucrative licensing agreement, a large capital infusion, a proven method of generating profits, and experienced management in place, Google had indeed become a "real business."

For his first coup as EO, Schmidt made an agreement with AOL to provide them with web search and paid contextual advertising services. The contract, signed on May 1, 2002, was a major defeat to rivals Inktomi and Overture, who had previously provided the service. At the time, AOL had 34 million subscribers, and handled 22 percent of all web searches. Google's own site served 31.8 percent of worldwide searches, and through its license with Yahoo, it controlled another 36.3 percent of the market. Google was now a behemoth in search. Defeated Inktomi executive Vish Makhijani groused, "They'll learn over time that Google takes your users; it doesn't help you build your property." At the time, Yahoo claimed the AOL deal did not impact their relationship with Google. However, Yahoo removed the Google logo from its homepage in 2002 and, in December of that year, Yahoo purchased search provider Inktomi for $235 million.

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ANDROID

In April 2005, pioneering smartphone maker Research in Motion reported that its BlackBerry sub-scriber base had doubled to 2.5 million users and that "we believe we are still in the early days of this market." Therefore, Google had to determine its strategy in the rapidly burgeoning mobile field even as it wrestled with Microsoft for AOL's user base. As Larry Page recalled, "At the time it was extremely painful developing services for mobile devices. We had a closet full of more than 100 phones and were building our software pretty much device by device. It was nearly impossible for us to make truly great mobile experiences." To remedy this problem, Google purchased a Silicon Valley startup called Android in August 2005.

Android became an open source, Linux-based operating system of mobile devices. Because software is a significant cost for smartphones, Google ensured that it would be adopted by handset manufacturers by making it open source. This adoption, in turn, ensured that users could access Google through their mobile devices. As author Steven Levy observed, "Android would be a Trojan horse for Google's consumer apps, chief among them mobile search." Still, Google's open-source strategy has additional limitations, including making it more susceptible to malware and modification. For example, Chinese search company Baidu has negotiated with smartphone manufacturers to remove all references to Google in Android and replace it with Baidu.

Even though it is open source, Android is not free to firms using it. Both Apple and Microsoft successfully sued Google for Android's operating system infringing on their intellectual property in 2011, leading firms that adopt Android to pay licensing fees to Apple and Microsoft. Concerns over patents contributed to Google spending $12.5 billion to acquire Motorola Mobility and then turning around and selling it to Lenovo for $2.9 billion in 2012, through Google kept Motorola's patents. Adopters of Android also pay Google to have access to other Google services, such as Google Maps and Google Play.

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The competitor, Apple focuses on its iOS software and design, while it outsources hardware production to others (e.g., Foxconn final assembly, Samsung and others fo rparts). Standardized hardware enables lower cost production (economies of scale), and the design and branding enables Apple to charge premium prices leading it to get most of its revenues and profits from hardware sales, while additional revenue comes from advertising (iAd) and online purchases (iTunes). Additionally, Apple has created its own network of retail stores to sell its hardware in order to avoid sharing profits from its sales and to maintain the customer experience consistent with its premium pricing

SOCIAL NETWORKING. Google is playing catch-up in social networking as Facebook dominates this area. Launched in 2004 by Harvard undergraduate Mark Zuckerberg, Facebook users create profiles with photos and information about themselves and connect with others. In 2010, Facebook took Google search as the Internet's most popular destination, and Facebook's share of U.S. online advertising surged. Google has struggled with social networking beginning with its first attempt. Despite being launched a month before Facebook, Orkut never gained widespread acceptance and it was shut down in September of 2014. Its next attempt, Google Buzz, resulted in a class action lawsuit and a FTC complaint over privacy issues. Google Buzz was shut down in late 2011 in order to "focus instead on Google+. Google+, launched on June 28, 2011, was Google's third attempt at establishing a viable social networking site. While the photo sharing and video conferencing features of Google+ attracted positive reviews, it lagged significantly behind Facebook. In 2014, Facebook, Twitter, Instagram, and Pinterest all had more users than Google+. In 2014, the Google+ organizational structure was shaken, and Vic Gundotra, the executive in charge of Google+, departed soon afterward. It is likely that Google+ will be integrated across Google's other platforms rather than being a social network targeted specifically at consumers.

YOUTUBE. Google announced the acquisition of online video clip provider YouTube in October 006. "This is the next step in the evolution of the Internet," enthused Eric Schmidt. The purchase of YouTube allowed Google to extend its reach into the nascent yet rapidly growing field of online video.

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YouTube had been in operation less than a year but had already garnered an estimated 50 million viewers. With an acquisition price of $1.65 billion, it was Google's largest deal to date. YouTube allowed Google to offer advertisers yet another outlet to consumers. YouTube reached a billion regular visitors a month in 2013 and generated an estimated $5.6 billion in revenues. While YouTube offers a volume of users and a variety of content, the addition of channels offers advertisers a way to deliver more relevant advertising.

Source: Harvard Business Journal

QUESTION 1

Perform a SWOT analysis for Google that identifies alternatives for the company.

(30 Marks)

QUESTION 2

Apply a **FIVE (5)** relevant External Environmental analysis to Google; what does Google need to consider? **(25 Marks)**

QUESTION 3

Compare and contrast Google's smartphone/tablet strategy with Apple's. **(20 Marks)**

QUESTION 4

a. What kind of diversification is behind Google's corporate strategy? **(5 Marks)**

b. Justify FOUR (4) factors how Google creates value through the strategy above.

(20 Marks)

End of paper